

**TIRNO-94-D0089, TIRNO-94-D-00890005, TIRNO-94-D-00890006,
TIRNO-D-00890007, TIRNO-D-00890008, TIRNO-D-00890010
Report of Incurred Cost Submission
For Fiscal Year 1998 and 1999**

August 2002

Reference Number: 2002-1C-132

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 2, 2002

MEMORANDUM FOR DAVID A. GRANT
DIRECTOR OF PROCUREMENT
INTERNAL REVENUE SERVICE

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: TIRNO-94-D0089, TIRNO-94-D00890005,
TIRNO-94-D00890006, TIRNO-94-00890007,
TIRNO-94-D00890008, TIRNO-94-D00890010: Report of
Incurred Cost Submission for Fiscal Year 1998 and 1999
(Audit #200210002.024)

The Defense Contract Audit Agency (DCAA) examined the contractor's revised April 16, 2002 certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year 1998 and 1999 incurred costs. The purpose of the examination was to determine allowability and allocability of direct costs and indirect cost rates and establish audit determined indirect cost rates for January 1, 1998 through December 31, 1998 and January 1, 1999 through December 31, 1999. The proposed rates apply primarily to flexibly-priced contracts.

The DCAA noted that the contractor's indirect rates are acceptable as proposed and the claimed direct costs are provisionally approved pending final acceptance. However, the DCAA did not perform a labor floor check audit at the contractor's location during the fiscal year ended 1999; therefore, the DCAA qualified its opinion to the extent that a concurrent verification of labor was not performed.

In addition, the DCAA stated that the review of direct costs was limited to costs related to Department of Defense (DOD), Department of Energy (DOE), and the Internal Revenue Service (IRS) agencies auditable prime and subcontractor effort.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510 or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

Attachment

NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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